

Message Text

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PAGE 01 STATE 044081

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ORIGIN EA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-07

COME-00 TRSE-00 OPIC-03 AID-05 IGA-02 XMB-02 JUSE-00

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APPROVED BY EA/IMS:EDWARD C. INGRAHAM

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FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

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E.O. 11652: N/A

TAGS: EINV, EAID, ID

SUBJECT: INDONESIANIZATION OF FOREIGN INVESTMENTS

REFS: JAKARTA 1982

1. WE FIND GENERAL JUSUF'S JANUARY 22 PRESS STATEMENTS AS REPORTED REFTEL SOMEWHAT DISTURBING. WE ASSUME FOREIGN OIL COMPANIES ARE ALREADY APPREHENSIVE OVER GOI'S CURRENT MOVES TO SECURE A 1 DOLLAR-PER-BARREL CUT IN CALTEX OIL REVENUES, AND WE WOULD EXPECT JUSUF'S CALL FOR ACCELERATED TRANSFER OF EQUITY SHARES IN NON-OIL ENTERPRISES TO PRIBUMIS TO HAVE EQUALLY UNSETTLING EFFECT ON LATTER ENTERPRISES. NET IMPACT OF THESE TWO MOVES COULD BE SIGNIFICANTLY DETRIMENTAL TO OVERALL INVESTMENT CLIMATE.

2. APPEARS TO US THAT THREAT TO INVESTMENT CLIMATE IS ARISING AT MOST INOPPORTUNE TIME. PROSPECTS FOR
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PAGE 02 STATE 044081

INCREASED FOREIGN AID ARE NOT GOOD, AND IGGI DEVELOPMENT STRATEGY PUTS HIGH EXPECTATIONS ON INCREASE IN DIRECT

INVESTMENT INFLOW. (SEE ALSO LIM BIAN KIE-LAVIN MEMCON OF JANUARY 7, 1976). GOI MOVES ALSO COME AT TIME WHEN FOREIGN INVESTORS IN DEVELOPED COUNTRIES MAY BE RENEWING THEIR INTEREST IN OVERSEAS VENTURES ON GLOBAL BASIS AS RECESSION FADES.

3. WOULD APPRECIATE EMBASSY'S ASSESSMENT OF ACTUAL IMPACT OF ABOVE GOI MOVES AS THEY BECOME DISCERNIBLE. HAVE IBRD, IMF AND OTHER EXPATRIATE ADVISORS BEEN TRYING TO STEM NATIONALIST TIDE, AND IF SO, WHAT GOI RATIONALIZING ARGUMENTS HAVE THEY ENCOUNTERED?

4. TO WHAT EXTENT MIGHT JUSUF'S REMARKS HAVE REALLY BEEN DIRECTED AT WHITTILING DOWN CHINESE OWNERSHIP IN DOMESTIC ENTERPRISES (THE "OTHER COMPANIES" TO WHICH HE REFERRED)? KISSINGER

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